

NORTH CAROLINA ACCOUNTANCY STATUTES EXCERPTS

NORTH CAROLINA ADMINISTRATIVE CODE EXCERPTS

UNIFORM CPA EXAMINATION

FEBRUARY 2006

ORAL REQUESTS FOR OPINIONS AND INTERPRETATIONS

Oral requests to Board or staff members for opinions and interpretations of these rules are discouraged. Whenever given, they are non-binding and applicants or licensees who thereafter act in reliance do so at their own risk.

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NORTH CAROLINA GENERAL STATUTES
CHAPTER 93 - CERTIFIED PUBLIC ACCOUNTANTS

93-12. Board of Certified Public Accountant Examiners.

The name of the State Board of Accountancy is hereby changed to State Board of Certified Public Accountant Examiners and said name State Board of Certified Public Accountant Examiners is hereby substituted for the name State Board of Accountancy wherever the latter name appears or is used in Chapter 93 of the General Statutes. Said Board is created as an agency of the State of North Carolina and shall consist of seven members to be appointed by the Governor, five persons to be holders of valid and unrevoked certificates as certified public accountants issued under the provisions of this Chapter and two persons who are not certified public accountants who shall represent the interest of the public at large. Members of the Board shall hold office for the term of three years and until their successors are appointed. Appointments to the Board shall be made under the provisions of this Chapter as and when the terms of the members of the present State Board of Accountancy expire; provided that all future appointments to said Board shall be made for a term of three years expiring on the thirtieth day of June. All Board members serving on June 30, 1980, shall be eligible to complete their respective terms. No member appointed to a term on or after July 1, 1980, shall serve more than two complete consecutive terms. The powers and duties of the Board shall be as follows:

- (1) To elect from its members a president, vice-president and secretary-treasurer. The members of the Board shall receive compensation and reimbursement for travel expenses in accordance with G.S. 93B-5.
- (2) To employ legal counsel, clerical and technical assistance and to fix the compensation therefore, and to incur such other expenses as may be deemed necessary in the performance of its duties and the enforcement of the provisions of this Chapter. Upon request the Attorney General of North Carolina will advise the Board with respect to the performance of its duties and will assign a member of his staff, or approve the employment of counsel, to represent the Board in any hearing or litigation arising under this Chapter. The Board may, in the exercise of its discretion, cooperate with similar boards of other states, territories and the District of Columbia in activities designed to bring about uniformity in standards of admission to the public practice of accountancy by certified public accountants, and may employ a uniform system of preparation of examinations to be given to candidates for certificates as certified public accountants, including the services and facilities of the American Institute of Certified Public Accountants, or of any other persons or organizations of recognized skill in the field of accountancy, in the preparation of examinations and assistance in establishing and maintaining a uniform system of grading of examination papers, provided however, that all examinations given by said Board shall be adopted and approved by the Board and that the grade or grades given to all persons taking said examinations shall be determined and approved by the Board.
- (3) To formulate rules for the government of the Board and for the examination of applicants for certificates of qualification admitting such applicants to practice as certified public accountants.
- (4) To hold written, oral, and computer-based examinations of applicants for certificates of qualification at least once a year, or more often, as may be deemed necessary by the Board.
- (5) To issue certificates of qualification admitting to practice as certified public accountants, each applicant who, having the qualifications herein specified, has passed an examination to the satisfaction of the Board, in "accounting," "auditing," "business law," and other related subjects.

A person is eligible to take the examination given by the Board, or to receive a certificate of qualification to practice as a certified public accountant, if the person is a citizen of the United States, has declared the intention of becoming a citizen, is a resident alien, or is a citizen of a foreign jurisdiction which extends to citizens of this State like or

similar privileges to be examined or certified, is 18 years of age or over, and is of good moral character.

To be eligible to take the examination given by the Board, a person shall submit evidence satisfactory to the Board that the person holds a bachelors degree from a college or university that is accredited by one of the regional accrediting associations or from a college or university determined by the Board to have standards that are substantially equivalent to a regionally accredited institution. The degree studies shall include a concentration in accounting as prescribed by the Board or shall be supplemented with courses that are determined by the Board to be substantially equivalent to a concentration in accounting.

The Board may, in its discretion, waive the education requirement of any candidate if the Board is satisfied from the result of a special written examination given the candidate by the Board to test the candidate's educational qualifications that the candidate is as well qualified as if the candidate met the education requirements specified above. The Board may provide by regulation for the general scope of such examinations and may obtain such advice and assistance as it deems appropriate to assist it in preparing, administering and grading such special examinations.

To be eligible to receive a certificate of qualification to practice as a certified public accountant, a person shall submit evidence satisfactory to the Board that:

- a. The person has completed 150 semester hours and received a bachelors degree with a concentration in accounting and other courses that the Board may require from a college or university that is accredited by a regional accrediting association or from a college or university determined by the Board to have standards that are substantially equivalent to those of a regionally accredited institution.
- b. The person has the endorsement as to the person's eligibility of three certified public accountants who currently hold licenses in any state or territory of the United States or the District of Columbia.
- c. The person has one of the following:
 1. One year's experience in the field of accounting under the direct supervision of a certified public accountant who currently holds a valid license in any state or territory of the United States or the District of Columbia.
 2. Four years of experience teaching accounting in a four-year college or university accredited by one of the regional accrediting associations or in a college or university determined by the Board to have standards substantially equivalent to a regionally accredited institution.
 3. Four years of experience in the field of accounting.
 4. Four years of experience teaching college transfer accounting courses at a community college or technical institute accredited by one of the regional accrediting associations.
 5. Any combination of such experience determined by the Board to be substantially equivalent to the foregoing.

The Board may permit persons otherwise eligible to take its examinations and withhold certificates until the person has had the required experience.

- (6) In its discretion to grant certificates of qualification admitting to practice as certified public accountants such applicants who shall be the holders of valid and unrevoked certificates as certified public accountants, or the equivalent, issued by or under the authority of any state, or territory of the United States or the District of Columbia, when in the judgment of the Board the requirements for the issuing or granting of such certificates or degrees are substantially equivalent to the requirements established by

this Chapter: Provided, however, that the state or political subdivision of the United States upon whose certificate the reciprocal action is based grants the same privileges to holders of certificates as certified public accountants issued pursuant to the provisions of this Chapter. The Board, by general rule, may grant temporary permits to applicants under this subsection pending their qualification for reciprocal certificates.

- (7) To charge for each examination provided for in this Chapter a fee not exceeding four hundred dollars (\$400.00). In addition to the examination fee, if the Board uses a testing service for the preparation, administration, or grading of examinations, the Board may charge the applicant the actual cost of the examination services. The applicant shall pay all fees and costs associated with the examination at the time the application is filed with the Board. Examination fees and costs shall not be refunded unless the Board deems the applicant ineligible for examination.
- (7a) To charge for each initial certificate of qualification provided for in this Chapter a fee not exceeding one hundred fifty dollars (\$150.00).
- (7b) To require an annual registration of each firm and to charge an annual registration fee not to exceed two hundred dollars (\$200.00) for each firm with one office, and a fee not to exceed twenty-five dollars (\$25.00) for each additional North Carolina office of the firm, to defray the administrative costs of accounting practice review programs. The Board may charge an annual fee not to exceed twenty-five dollars (\$25.00) for each firm application for exemption from the accounting practice review program.
- (8) To require the renewal of all certificates of qualification annually on the first day of July, and to charge an annual renewal fee not to exceed one hundred dollars (\$100.00).
- (8a) To require the registration of certified public accountant firms which have offices both within and outside of North Carolina, and the payment by such firms of an annual registration fee based on the total number of partners in each such firm, but not to exceed two thousand five hundred dollars (\$2,500) per firm per year.
- (8b) To formulate rules for the continuing professional education of all persons holding the certificate of certified public accountant, subject to the following provisions:
 - a. After January 1, 1983, any person desiring to obtain or renew a certificate as a certified public accountant must offer evidence satisfactory to the Board that the person has complied with the continuing professional education requirement approved by the Board. The Board may grant a conditional license for not more than 12 months for persons who are being licensed for the first time, or moving into North Carolina, or for other good cause, in order that the person may comply with the continuing professional education requirement.
 - b. The Board shall adopt rules for the administration of the continuing professional education requirement with a minimum number of hours of 20 and a maximum number of hours of 40 per year, and the Board may exempt persons who are retired or inactive from the continuing professional education requirement. The Board may also permit any certified public accountant to accumulate hours of continuing professional education in any calendar year of as much as two additional years annual requirement in advance of or subsequent to the required calendar year.
 - c. Any applicant who offers satisfactory evidence on forms promulgated by the Board that the applicant has participated in a continuing professional education program of the type required by the Board shall be deemed to have complied with this subdivision.
- (8c) The Board may formulate rules and regulations for report review and peer review of audits, reviews, compilations, and other reports issued on financial information in the public practice of accountancy of all firms, as herein defined, subject to the following provisions:

- a. After June 30, 1992, any firm desiring to obtain or maintain a registration as a firm must offer satisfactory evidence to the Board that such firm has complied with the peer review and report review requirements approved by the Board; provided, however, that the Board shall give to every firm subject to this section not less than 12 months advance notice of each peer review and report review required of the firm.
 - b. The Board may grant a conditional registration for not more than 24 months for firms which are being registered for the first time, or moving into North Carolina, or for other good cause, in order that such firm may comply with the report review and peer review requirements, and in order that the Board may develop a system of review rotation among the various firms that must comply with this section.
 - c. The peer review and report review shall be valid for a minimum of three years subject to the power of the Board to require remedial action by any firm with a deficiency in the review according to the rules established by the Board.
 - d. The Board shall promulgate rules and regulations for the administration of the report review and peer review requirements and the Board shall exempt firms that show to the satisfaction of the Board that they are not engaged in the public practice of accountancy or that the scope of their practice does not come within the peer review and report review guidelines established by the Board.
 - e. Any firm that offers satisfactory evidence to the Board that the firm has satisfactorily participated in and successfully completed a peer review or a report review of the type required by the Board shall be deemed to have complied with this section and the Board shall promulgate rules and regulations for the administration of this procedure.
 - f. For purposes of this section, a firm means an entity, sole proprietorship, partnership, registered limited liability partnership, professional limited liability company, or professional corporation through which one or more certificate holders engage in the public practice of accountancy through an office.
- (9) Adoption of Rules of Professional Conduct; Disciplinary Action. – The Board shall have the power to adopt rules of professional ethics and conduct to be observed by certified public accountants in this State. The Board shall have the power to revoke, either permanently or for a specified period, any certificate issued under the provisions of this Chapter to a certified public accountant or to censure the holder of any such certificate or to assess a civil penalty not to exceed one thousand dollars (\$1,000) for any one or combination of the following causes:
- a. Conviction of a felony under the laws of the United States or of any state of the United States.
 - b. Conviction of any crime, an essential element of which is dishonesty, deceit or fraud.
 - c. Fraud or deceit in obtaining a certificate as a certified public accountant.
 - d. Dishonesty, fraud or gross negligence in the public practice of accountancy.
 - e. Violation of any rule of professional ethics and professional conduct adopted by the Board.
- Any disciplinary action taken shall be in accordance with the provisions of Chapter 150B of the General Statutes. The clear proceeds of any civil penalty assessed under this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.
- (12) To submit annually on or before the first day of May to the Secretary of Revenue the names of all persons who have qualified under this Chapter as certified public accountants. Privilege license issued under G.S. 105-41 shall designate whether such license is issued to a certified public accountant or an accountant.

- (13) The Board shall keep a complete record of all its proceedings and shall annually submit a full report to the Governor.
- (14) All fees collected on behalf of the Board and all receipts of every kind and nature, as well as the compensation paid the members of the Board and the necessary expenses incurred by them in the performance of the duties imposed upon them, shall be reported annually to the State Treasurer. All fees and other moneys received by the Board pursuant to the provisions of the General Statutes shall be kept in a separate fund by the treasurer of the Board, to be held and expended only for such purposes as are proper and necessary to the discharge of the duties of the Board and to enforce the provisions of this Chapter. No expense incurred by the Board shall be charged against the State.
- (15) Any certificate of qualification issued under the provisions of this Chapter, or issued under the provisions of Chapter 157 of the Public Laws of 1913, shall be forfeited for the failure of the holder to renew same and to pay the renewal fee therefore to the State Board of Accountancy within 30 days after demand for such renewal fee shall have been made by the State Board of Accountancy.
- (16) To apply to the courts, in its own name, for injunctive relief to prevent violations of this Chapter or violations of any rules adopted pursuant to this Chapter. Any court may grant injunctive relief regardless of whether criminal prosecution or any other action is instituted as a result of the violation. A single violation is sufficient to invoke the injunctive relief under this subdivision.
- (17) The Board shall have the power to acquire, hold, rent, encumber, alienate, and otherwise deal with real property in the same manner as a private person or corporation, subject only to approval of the Governor and the Council of State as to the acquisition, rental, encumbering, leasing, and sale of real property. Collateral pledged by the Board for an encumbrance is limited to the assets, income, and revenues of the Board.

**NORTH CAROLINA ADMINISTRATIVE CODE
TITLE 21 - OCCUPATIONAL LICENSING BOARDS
CHAPTER 08 - BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS**

**SUBCHAPTER 08A - DEPARTMENTAL RULES
SECTION .0300 - DEFINITIONS**

SECTION .0300 - DEFINITIONS

21 NCAC 08A .0301 DEFINITIONS

- (a) The definitions set out in G.S. 93-1(a) shall apply when those defined terms are used in 21 NCAC 08.
- (b) In addition to the definitions set out in G.S. 93-1(a), the following definitions and other definitions in this Section apply when these terms are used in 21 NCAC 08:
 - (1) "Active," when used to refer to the status of a person, describes a person who possesses a North Carolina certificate of qualification and who has not otherwise been granted "Retired," "Inactive," or "Conditional" status;
 - (2) "Agreed upon procedures" means a professional service whereby a CPA is engaged to issue a report of findings based on specific procedures performed on financial information prepared by a responsible party;
 - (3) "AICPA" means the American Institute of Certified Public Accountants;
 - (4) "Applicant" means a person who has applied to take the CPA examination or applied for a certificate of qualification;
 - (5) "Attest service or assurance service" means:
 - (A) any audit or engagement to be performed in accordance with the Statements on Auditing Standards, Statements on Generally Accepted Governmental Auditing Standards, and Public Company Accounting Oversight Board Auditing Standards;

- (B) any review or engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services;
- (C) any compilation or engagement to be performed in accordance with the Statements on Standards for Accounting and Review Services; or
- (D) any agreed-upon procedure or engagement to be performed in accordance with the Statements on Standards for Attestation Engagements;
- (6) "Audit" means a professional service whereby a CPA is engaged to examine financial statements, items, accounts, or elements of a financial statement, prepared by management, in order to express an opinion on whether the financial statements, items, accounts, or elements of a financial statement are presented in conformity with generally accepted accounting principles or other comprehensive basis of accounting;
- (7) "Calendar year" means the 12 months beginning January 1 and ending December 31;
- (8) "Candidate" means a person whose application to take the CPA examination has been accepted and who may sit for the CPA examination;
- (9) "Client" means a person who orally or in writing agrees with a licensee to receive any professional services;
- (10) "Commission" means compensation, except a referral fee, for recommending or referring any product or service to be supplied by another person;
- (11) "Compilation" means a professional service whereby a CPA is engaged to present, in the form of financial statements, information that is the representation of management without undertaking to express any assurance on the statements;
- (12) "Conditional," when used to refer to the status of a person, describes a person who holds a North Carolina certificate of qualification under certain conditions as imposed by the Board, such as additional requirements for failure to complete the required CPE hours in a calendar year, for failure to comply with CPA firm registration, or for failure to comply with peer review reporting and or participation in peer review;
- (13) "Contingent fee" means a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service;
- (14) "CPA" means certified public accountant;
- (15) "CPA firm" means a sole proprietorship, a partnership, a professional corporation, a professional limited liability company, or a registered limited liability partnership which uses "certified public accountant(s)" or "CPA(s)" in or with its name or offers to or renders any attest services in the public practice of accountancy;
- (16) "CPE" means continuing professional education;
- (17) "Disciplinary action" means revocation or suspension of, or refusal to grant, membership, or the imposition of a reprimand, probation, constructive comment, or any other penalty or condition;
- (18) "FASB" means the Financial Accounting Standards Board;
- (19) "Forecast" means prospective financial statements that present, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions the entity expects to exist and the course of action the entity expects to take;
- (20) "GASB" means the Governmental Accounting Standards Board;
- (21) "Inactive," when used to refer to the status of a person, describes one who has requested inactive status and been approved by the Board and who does not use the title "certified public accountant" nor does he or she allow anyone to refer to him or her as a "certified public accountant," and neither he nor she nor anyone else refers to him or her in any representation as described in 21 NCAC 08A .0308(b).
- (22) "IRS" means the Internal Revenue Service;

- (23) "Jurisdiction" means any state or territory of the United States or the District of Columbia;
- (24) "License year" means the 12 months beginning July 1 and ending June 30;
- (25) "Member of a CPA firm" means any CPA who has an equity ownership interest in a CPA firm;
- (26) "NASBA" means the National Association of State Boards of Accountancy;
- (27) "NCACPA" means the North Carolina Association of Certified Public Accountants;
- (28) "North Carolina office" means any office physically located in North Carolina;
- (29) "Person" means any natural person, corporation, partnership, professional limited liability company, registered limited liability partnership, unincorporated association, or other entity;
- (30) "Professional" means arising out of or related to the particular knowledge or skills associated with CPAs;
- (31) "Projection" means prospective financial statements that present, to the best of the responsible party's knowledge and belief, given one or more hypothetical assumptions, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions it expects would exist and the course of action it expects would be taken given such hypothetical assumptions;
- (32) "Referral fee" means compensation for recommending or referring any service of a CPA to any person;
- (33) "Retired," when used to refer to the status of a person, describes one possessing a North Carolina certificate of qualification who verifies to the Board that the applicant does not receive or intend to receive in the future any earned compensation for current personal services in any job whatsoever and will not return to active status. However, retired status does not preclude volunteer services for which the retired CPA receives no direct or indirect compensation so long as the retired CPA does not sign any documents, related to such services, as a CPA;
- (34) "Revenue Department" means the North Carolina Department of Revenue;
- (35) "Review" means a professional service whereby a CPA is engaged to perform procedures, limited to analytical procedures and inquiries, to obtain a reasonable basis for expressing limited assurance on whether any material modifications should be made to the financial statements for them to be in conformity with generally accepted accounting principles or other comprehensive basis of accounting;
- (36) "Reviewer" means a member of a review team including the review team captain;
- (37) "Suspension" means a revocation for a specified period of time. A CPA may be reinstated after a specific period of time if the CPA has met all conditions imposed by the Board at the time of suspension;
- (38) "Trade name" means a name used to designate a business enterprise;
- (39) "Work papers" mean the CPA's records of the procedures applied, the tests performed, the information obtained, and the conclusions reached in attest services, tax, consulting, special report, or other engagement. Work papers include, but are not limited to, programs used to perform professional services, analyses, memoranda, letters of confirmation and representation, checklists, copies or abstracts of company documents, and schedules of commentaries prepared or obtained by the CPA. The forms include, but are not limited to, handwritten, typed, printed, word processed, photocopied, photographed, computerized data, or any other form of letters, words, pictures, sounds or symbols;
- (40) "Work product" means the end result of the engagement for the client which may include, but is not limited to a tax return, attest or assurance report, consulting report, and financial plan. The forms include, but are not limited to, handwritten, typed, word processed, photocopied, photographed, computerized data, or in any other form of letters, words, pictures, sounds, or symbols.

(c) Any requirement to comply by a specific date to the Board that falls on a weekend or federal holiday shall be received as in compliance if postmarked by U.S. Postal Service cancellation or received in the Board office on the next business day.

21 NCAC 08A .0309 CONCENTRATION IN ACCOUNTING

(a) A concentration in accounting shall include:

- (1) at least 30 semester hours, or the equivalent in quarter hours, of undergraduate accountancy courses which shall include no more than six semester hours of accounting principles and no more than three semester hours of business law; or
- (2) at least 20 semester hours or the equivalent in quarter hours, of graduate accounting courses that are open exclusively to graduate students; or
- (3) a combination of undergraduate and graduate courses which would be equivalent to Subparagraph (1) or (2).

(b) In recognition of differences in the level of graduate and undergraduate courses, one semester (or quarter) hour of graduate study in accounting shall be considered the equivalent of one and one-half semester (or quarter) hours of undergraduate study in accounting.

(c) Up to four semester hours, or the equivalent in quarter hours, of graduate income tax courses completed in law schools may count toward the semester hour requirement of Paragraph (a) of this Rule.

(d) Where, in the Board's discretion, an accounting course duplicates another course previously taken, only the semester (or quarter) hours of one of the courses shall be counted in determining if the applicant has a concentration in accounting.

(e) Accounting courses include such courses as principles courses at the elementary, intermediate and advanced levels; managerial accounting; business law; cost accounting; fund accounting; auditing; and taxation. There are many college courses offered that would be helpful in the practice of accountancy, but are not included in the definition of a concentration in accounting. Such courses include business finance, business management, computer science, economics, writing skills, accounting internships, and CPA exam review.

(f) A candidate who has conditional credit prior to January 1, 2001, may continue to apply to sit for the examination as long as the conditional credit is valid. A candidate who no longer has valid conditional credit after January 1, 2001, shall be required to meet all education requirements in effect at the time of the candidate's subsequent application.

SUBCHAPTER 08F - REQUIREMENTS FOR CERTIFIED PUBLIC ACCOUNTANT EXAMINATION AND CERTIFICATE APPLICANTS

SECTION .0100 - GENERAL PROVISIONS

21 NCAC 08F .0101 TIME AND PLACE OF CPA EXAMINATIONS

(a) The Board shall hold the CPA examination twice a year.

(b) The dates of the CPA Examination are determined by the examination vendor(s).

(c) The Board shall announce the time and place for holding each CPA examination at least 60 days prior to the date thereof.

21 NCAC 08F .0102 TYPE OF CPA EXAMINATION

The Uniform CPA Examination prepared by the AICPA shall be the CPA examination used by the Board.

21 NCAC 08F .0103 FILING OF EXAMINATION APPLICATIONS AND FEES

(a) All applications for CPA examinations shall be filed with the Board, accompanied by the examination fee. The Board sets the fee for each examination at the amount that enables the Board to recover its actual costs of examination services. If a check or credit card authorization fails to clear the bank, the application shall be deemed incomplete and returned.

(b) The initial application filed to take the examination shall include supporting documentation demonstrating that all legal requirements have been met, such as:

- (1) minimum legal age;
 - (2) education;
 - (3) experience, if required in order to qualify for the examination; and
 - (4) good moral character.
 - (5) Any person born outside the United States shall furnish to the Board office evidence of citizenship; evidence of resident alien status; or
 - (A) other bona fide evidence that the applicant is legally allowed to remain in the United States for the purposes of becoming a U.S. citizen; or
 - (B) a notarized affidavit of intention to become a U.S. citizen; or
 - (C) evidence that the applicant is a citizen of a foreign jurisdiction which extends to citizens of this state like or similar privileges to be examined.
- (c) Official transcripts (originals – not photocopies) signed by the college registrar and bearing the college seal are required to prove education and degree requirements. A letter from the college registrar of the school may be filed as documentation that the applicant has met the graduation requirements if the degree has not been awarded and posted to the transcript. However, no examination grades shall be released until an official transcript is filed confirming the information supplied in the college registrar's letter. All applicants submitting transcripts from foreign schools for consideration of degree and of meeting accountancy course requirements shall have had the transcript(s) evaluated by Foreign Academic Credential Service, Inc. (FACS) or a comparable educational evaluation service. Applicants shall determine that their transcripts contain all information required by these Rules.
- (d) If experience is required to qualify for examination, affidavits shall be prepared and signed by employers on forms supplied by the Board.
- (e) In order to document good moral character as required by G.S. 93-12(5) of this Rule, three certificates of good moral character signed by persons not related by blood or marriage to the applicant shall accompany the application.
- (f) No additional statements and affidavits regarding experience and education shall be required for applications for re-examination.
- (g) An applicant shall include as part of any application for the CPA examination a statement of explanation and a certified copy of the final disposition if the applicant has been arrested, charged, convicted or found guilty of, received a prayer for judgment continued or pleaded *nolo contendere* to any criminal offense.
- (h) If an applicant has been denied any license by any state or federal agency, the applicant shall include as part of the application for the CPA examination a statement explaining such denial. An applicant shall include a statement of explanation and a certified copy of applicable license records if the applicant has been registered with or licensed by a state or federal agency and has been disciplined by that agency.
- (i) Two recent identical photographs shall accompany the application for the CPA examination. These photographs shall have been taken within the last six months. The photographs shall be of the applicant alone, 2x2 inches in size, with an image size from the bottom of the chin to the top of the head, including hair, of between 1 and 1-3/8 inches. Photographs shall be clear, front view, full face, taken in normal street attire without a hat or dark glasses, and printed on thin paper with a plain light background. They shall be capable of withstanding a mounting temperature of 225 degrees Fahrenheit (107 degrees Celsius). They may be in black and white or in color. Snapshots, most vending-machine prints, and magazine or full-length photographs are unacceptable. Photographs retouched so that the applicant's appearance is changed are unacceptable. Applicants shall write their names on the back of their photos.
- (j) If an applicant's name has legally changed and is different from the name on any transcript or other document supplied to the Board, the applicant shall furnish copies of the documents legally authorizing the name change.
- (k) Candidates shall file initial and re-exam applications to sit for the CPA Examination on forms provided by the Board.
- (l) Examination fees will be valid for a six-month period from the date of the Notice to Schedule (NTS).

21 NCAC 08F .0105 CONDITIONING REQUIREMENTS

- (a) **Passing Grades.** A candidate shall be required to pass all sections of the examination with a grade of 75 or higher on each section.
- (b) **Military Service.** A candidate who is on active military service shall not have the time on active military service counted against Subparagraph (d)(1) of this Rule unless the candidate applies to take the examination during the active military service in which case each month a candidate sits shall be counted toward Subparagraph (d)(1) of this Rule.
- (c) A candidate who has conditional credit prior to January 1, 1997, may continue to apply to sit for the examination as long as the conditional credit is valid. A candidate who no longer has valid conditional credit after January 1, 1997, shall be required to meet all education requirements in effect at the time of their subsequent application.
- (d) A candidate is subject to the following conditioning requirements:
 - (1) A candidate shall be required to obtain a passing grade on all sections of the examination within an 18-month period;
 - (2) A candidate may sit for any section of the examination individually;
 - (3) A candidate may sit for each section of the examination up to four times during a one-year period but not more than one time in a three-month testing window as defined by the examination vendors(s);
 - (4) A candidate shall receive credit on the passage of his or her section(s) of the examination; such credit(s) shall be valid for an 18-month period which begins on the date the section(s) passed is (are) taken; and
 - (5) A candidate having earned conditional credits on the paper-and-pencil CPA Examination has until October 31, 2005, or 18 months after administration of the last paper-and-pencil examination to pass the remaining sections(s) before the credits earned under the paper-and-pencil examination expire.

21 NCAC 08F .0106 GRANTING EXAMINATION CREDIT FROM OTHER JURISDICTIONS

- (a) The Board may grant candidates credit for passing parts of the AICPA Uniform CPA Examination in another jurisdiction or territory of the United States.
- (b) To be considered for credit, the passing grades must meet the requirements of 21 NCAC 08F .0105. To transfer credit, the candidate must file an application with the Board on a form provided by the Board. Such application may be made simultaneously with the application to take the CPA examination.

21 NCAC 08F .0107 COMMUNICATION OF RESULTS OF CPA EXAMINATIONS

- (a) The Board shall communicate to candidates in writing the result achieved in each of their examinations. Grades awarded to candidates shall not be released to third parties except by written consent of the candidate.
- (b) In no event shall any information concerning answers of candidates be given to anyone other than the candidate.
- (c) Examination grades shall be mailed to the candidates upon receipt by the Board.

21 NCAC 08F .0111 INELIGIBILITY DUE TO VIOLATION OF ACCOUNTANCY ACT

- (a) A person may not be eligible to take the CPA examination or receive the North Carolina certificate of qualification as a CPA if the Board determines that the person has engaged in conduct that would constitute a violation of G.S. 93 or the Rules of Professional Ethics and Conduct.
- (b) Any individual found to have engaged in conduct which subverts, or attempts to subvert the CPA Examination process may have his or her scores on the examination withheld and declared invalid, be disqualified from holding the CPA certification and may be subject to the imposition of other appropriate sanctions.
- (c) Conduct which subverts or attempts to subvert the examination process includes but is not limited to:
 - (1) conduct which violates the standard of the test administration such as communicating with any other examinee during the administration of the examination;

- (2) having in one's possession during the administration of the examination any books, notes, written or printed material, or data of any other kind, other than the distributed examination materials;
- (3) failure to cooperate with testing officials;
- (4) conduct which violates the credentialing process, such as falsifying or misrepresenting educational credentials or other information required for admission to the examination, impersonating an examinee, or having an impersonator take the examination on another's behalf;
- (5) conduct which violates the nondisclosure prohibitions of the examination or aiding or abetting another in doing so; and
- (6) retaking or attempting to retake an examination section by an individual holding a valid CPA certificate in this State or a candidate who has unexpired credit for having already passed the same examination section unless directed to do so by the Board.

21 NCAC 08F .0113 CANDIDATE'S REQUEST TO REVIEW CPA EXAMINATION

The Board may allow a North Carolina candidate pursuant to G.S. 93B-(8) to review his or her CPA Examination within 60 days after the release of the grades in question.

SECTION .0300 - EDUCATIONAL REQUIREMENTS FOR EXAMINATION

21 NCAC 08F .0302 EDUCATION AND WORK EXPERIENCE REQUIRED PRIOR TO CPA EXAM

(a) Under G.S. 93-12(5) there are two ways an applicant for the CPA examination can demonstrate the possession of sufficient education to become a CPA:

- (1) the possession of a bachelor's degree in any subject, from a regionally accredited college or university, that either includes or is supplemented by a concentration in accounting as defined in 21 NCAC 08A .0309; and
- (2) compliance with the requirements set forth in 21 NCAC 08F .0304, which provides for special examinations in lieu of formal education.

(b) Applicants who intend to demonstrate their possession of sufficient education to become a CPA by showing that they possess a bachelor's degree shall submit official transcripts with their application to take the CPA examination. Official transcripts shall show the grades the applicant received on courses completed and shall also show degrees awarded. An official transcript bears the seal of the school and the signature of the registrar or assistant registrar.

(c) With regard to Paragraph (a)(1) of this Rule, the Board may approve an application to take the CPA examination prior to the receipt of a bachelor's degree, if:

- (1) the concentration in accounting which shall be included in or supplement the bachelor's degree is already complete or is reasonably expected to be completed by the end of the school term within which the examination falls; and
- (2) an applicant reasonably expects to receive the bachelor's degree within 120 days after the last day of the examination. However, if the applicant fails to receive the degree within the specified time, the CPA examination grades shall not be released and if the applicant wishes to retake the examination, the applicant shall reapply.

(d) With regard to Paragraph (a)(2) of this Rule, the applicant shall complete the work experience that is required by all candidates for certification, and set forth in 21 NCAC 08F .0401, prior to the date the applicant applies for the CPA examination.

21 NCAC 08F .0303 SEMESTER HOUR EQUIVALENT

One quarter hour of undergraduate study shall equal two-thirds of a semester hour.

21 NCAC 08F .0304 WAIVER OF EDUCATION REQUIRED PRIOR TO EXAMINATION

The Board shall waive the education requirements specified in 21 NCAC 08F .0302(a)(1) upon receipt of proof acceptable to the Board that the applicant has scored:

- (1) in the 50th percentile rank or higher on each part of either the Graduate Record Examination or the Graduate Management Admission Test; and
- (2) the applicant has enrolled for an advanced degree at a regionally accredited school and, prior to filing an application with the Board, has satisfactorily completed ten semester hours, or the equivalent, of graduate courses, including six semester hours in graduate accounting courses.

SECTION .0400 - EXPERIENCE

21 NCAC 08F .0401 WORK EXPERIENCE REQUIRED OF CANDIDATES FOR CPA CERTIFICATION

(a) G.S. 93-12(5)c sets forth work experience alternatives, one of which is required of candidates applying for CPA certification. In connection with those requirements, the following provisions apply:

- (1) The work experience shall be acquired prior to the date a candidate applies for certification.
- (2) All experience which is required to be under the direct supervision of a CPA shall be under the direct supervision of a CPA on active status.
- (3) A candidate who applied for the CPA examination under the special examination exception set out in G.S. 93-12(5), and further described in 21 NCAC 08F .0302(a)(2) and (d) shall meet the work experience requirement prior to applying to take the CPA examination.

(b) The following provisions apply to all candidates seeking to meet the work experience requirement of G.S. 93-12(5)c.3 by working in the field of accounting.

- (1) One year of work experience is 52 weeks of full-time employment. The candidate is employed full-time when the candidate is expected by the employer to work for the employer at least 30 hours each week for an indefinite period or for a set period of at least one year. Any other work is working part-time.
- (2) All weeks of actual full-time employment are added to all full-time equivalent weeks in order to calculate how much work experience a candidate has acquired. Dividing that number by 52 results in the years of work experience the candidate has acquired.
- (3) Full-time-equivalent weeks are determined by the number of actual part-time hours the candidate has worked. Actual part-time hours do not include hours paid for sick leave, vacation leave, attending continuing education courses or other time not spent directly performing accounting services. For each calendar week during which the candidate worked actual part-time hours of 30 hours or more, the candidate receives one full-time-equivalent week. The actual part-time hours worked in the remaining calendar weeks are added together and divided by 30. The resulting number is the additional number of full-time-equivalent weeks to which the candidate is entitled.
- (4) The candidate shall submit experience affidavits on a form provided by the Board from all of the relevant employers; provided that when such experience was not acquired while employed with a CPA firm, the candidate shall also submit details of the work experience and supervision on a form provided by the Board. Experience affidavits for part-time work shall contain a record of the actual part-time hours the candidate has worked for each week of part-time employment. Both the experience affidavit and the form for additional detail shall be certified by the employer's office supervisor or an owner of the firm who is a certificate holder.

(c) 21 NCAC 08F .0409 applies to teaching experience acquired pursuant to G.S. 93-12(5)c.2 and 4.

21 NCAC 08F .0409 SATISFACTION OF EXPERIENCE REQUIREMENT BY TEACHING

(a) Teaching Experience. The requirement of "four years experience teaching accounting," G.S. 93-12(5), means teaching accounting full-time for four years.

- (1) Full-time teaching as described by the rules of the educational institution where the applicant taught will be accepted by the Board to be full-time teaching. However, in no case will less than 12 semester hours, or the equivalent, be accepted by the Board as full-time teaching.

- (2) If the applicant has not taught accounting full-time for four years, credit will be allowed by the Board for teaching accounting less than full-time on a pro rata basis based upon the number of semester hours required for full-time teaching at the educational institution where the applicant taught. However, in no case can an applicant receive credit for a full-time teaching year for teaching done in less than one academic year or more credit than one full-time teaching year for teaching done within one calendar year.
- (3) Courses outside the field of accounting will not be counted toward full-time teaching. Such courses include, but are not limited to: business law, finance, computer applications, personnel management, economics and statistics.
- (4) Of the four years of full-time teaching experience, teaching accounting principles (below intermediate accounting) cannot be counted toward the educational requirement for more than the equivalent of two full-time years. The remaining two full-time teaching years must be taught in at least two different areas of advanced accounting such as auditing, income tax, intermediate financial accounting or advanced managerial accounting, and the applicant must have taught at least nine semester hours, or the equivalent, in at least two of the different areas.

The purpose of this Subparagraph is to render unacceptable as meaningful experience both the continuous teaching of the elementary accounting course and the continuous teaching of the advanced courses in only one area of accounting.

(b) Required Information. Applicants must submit with their application a letter from each institution where they taught, certified by the applicant's dean or department head at that institution. The letter must state:

- (1) the number of credit hours which the applicant taught each year;
- (2) the names and academic level of the courses taught; and
- (3) the number of hours set by the rules of the institution as full-time teaching for each relevant year.

(c) Burden of Proof. An applicant having taught in an accredited community college or technical institute has the burden of proving that the credits earned by students taking those courses which the applicant taught would transfer to a four-year accredited college or university.

21 NCAC 08F .0410 EDUCATION REQUIRED OF CANDIDATES FOR CPA CERTIFICATION

(a) G.S. 93-12(5)a sets forth the education required of candidates applying for CPA certification. The 150 semester hours required shall include a concentration in accounting, as defined by 21 NCAC 08A .0309, and other courses as required by the Board as follows: 24 semester hours of coursework which shall include one three semester hour course from at least eight of the following 10 fields of study:

- (1) communications;
- (2) computer technology;
- (3) economics;
- (4) ethics;
- (5) finance;
- (6) humanities/social science;
- (7) international environment;
- (8) law;
- (9) management; or
- (10) statistics.

(b) Anyone applying for CPA certification who holds a Master's or more advanced degree in accounting, tax law, economics, finance, business administration, or a law degree with an emphasis in taxation or accounting from an accredited college or university or the equivalent thereof shall be in compliance with the above.

SECTION .0500 - APPLICATIONS FOR CERTIFICATES

21 NCAC 08F .0502 APPLICATION FOR CPA CERTIFICATE

- (a) A person applying for a certificate of qualification must file with the Board an application and an experience affidavit on forms provided by the Board and such other evidence as the Board may require in order to determine that the applicant has met the statutory and regulatory requirements.
- (b) Three certificates of good moral character signed by CPAs shall be submitted with the application for a CPA certificate.

21 NCAC 08F .0504 CANDIDATES' ACCOUNTANCY LAW COURSE REQUIREMENT

- (a) Within one year prior to applying for certification, all candidates for original or reciprocal certification must pass an open book examination on the North Carolina Accountancy Statutes and Rules, including the Rules of Professional Ethics and Conduct contained therein.
- (b) In lieu of taking the examination, a candidate may complete an eight-hour CPE course on the subject of the examination within one year prior to applying for the CPA certificate. Such course or examination must meet the requirements of 21 NCAC 08G .0404(a). This course may count toward the candidate's annual CPE requirement.

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